

**SOUTH CAROLINA CODIFICATION OF LAWS
AND LEGISLATIVE COUNCIL**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

September 10, 2018

Members of the General Assembly
and
Members of the Legislative Council
South Carolina Codification of Laws and Legislative Council
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Codification of Laws and Legislative Council (the Council), on the systems, processes and behaviors related to financial activity of the Council for the fiscal year ended June 30, 2017. The Council's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Council. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Council has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

This report is intended solely for the information and use of the General Assembly and of the governing body and management of the South Carolina Codification of Laws and Legislative Council and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor

Agreed - Upon Procedures Related to the South Carolina Codification of Laws and Legislative Council (A15)

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over \$150,000 and 10%.
2. Randomly select ten cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged were properly authorized by law.
3. Randomly select five cash receipts and inspect supporting documentation to determine that receipts were recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

4. Randomly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction was properly completed as required by Council procedures; invoice(s) agreed with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Council procedures and good business practice were present and agreed with the invoice.
 - The transaction was a bona fide expenditure of the Council, properly coded to the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
 - Clerical accuracy / confirmed proper sales/use tax.
5. Randomly select five non-payroll disbursements and inspect supporting documentation to determine that disbursements were recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Payroll

6. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations for the following general ledger accounts: Salaries (501-) and Unclassified Legislative Miscellaneous (594-).

Payroll (Continued)

7. Randomly select five employees and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person was a bona fide employee of the Council.
 - Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes were properly approved.
8. Haphazardly select three employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Council's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
9. Haphazardly select three employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Council's policies and procedures, that the employee's last pay check was properly calculated, and that the employee's leave payout was properly calculated in accordance with applicable State law.
10. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.
11. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

12. Select the one journal entry for the fiscal year to:

- Trace postings to the general ledger and confirm amounts agree with supporting documentation.
- Confirm transaction was properly approved.
- Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Appropriation Act

13. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
14. Confirm compliance with the selected agreed-upon Council-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Reporting Packages

15. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

Reporting Packages (Continued)

16. In addition to the procedure above, perform the following:

- Other Receivables Reporting Package

Determine if reported amounts were accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting - Accounts Receivable Current with Customer report and/or Council prepared records. Haphazardly select three receivables at 6/30/2017 to determine if the amounts were properly classified, calculated, and reported on the reporting package.

- Unearned Revenue Reporting Package

Determine if reported amounts were accurate based on inspection of the SCEIS general ledger, and/or Council prepared records. Haphazardly select three transactions to determine if the amounts were properly classified, calculated, and reported on the reporting package.

- Capital Assets Reporting Package

Determine if responses and reported amounts were reasonable/accurate based on inspection of the Council provided supporting documentation and agreed amounts reported on the 'Non-SCEIS Agencies Only - Capital Assets Summary Report' to the Council's capital assets worksheet.

- Accounts Payable

Determine if responses and reported amounts were reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting - Prior Year Payables with Vendor and/or Council prepared records. Haphazardly select the one prior year payable transaction to determine if the amounts were properly classified, calculated, and reported on the reporting package.

- Subsequent Events Questionnaire

Determine if responses were reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Council prepared records. In addition, haphazardly select the two prior year payable transactions from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated and reported and excluded from the original Accounts Payable Reporting Package submission.

Finding

Prior year payables reported on the Subsequent Events Questionnaire were overstated by \$1,355.

Management's Response

We acknowledge that we overstated the prior year payables on the Subsequent Events Questionnaire submission. In an overabundance of caution, we included a Xerox payment for services rendered in the prior fiscal year and the current fiscal year. We appreciate the useful guidance from the OSA staff for our future determinations of inclusions/exclusions on the Subsequent Events Questionnaire.